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REPORT  
ON THE  
COVERT ACTIVITIES  
OF THE  
CENTRAL INTELLIGENCE AGENCY

MORI/CDF Pages 2 thru 33, 35  
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TS# 158938

SPECIAL STUDY GROUP

Washington, D.C.

30 September 1954

The President  
The White House

Dear Mr. President:

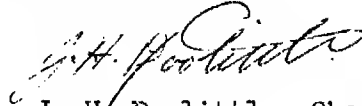
In compliance with your verbal directive, confirmed by your letter of 26 July 1954 (Appendix A), the undersigned have made a comprehensive study of the covert activities of the Central Intelligence Agency. We have carefully examined its operations in this area. We have also given due consideration in our study to the Agency's overt activities and to its relationship with the intelligence community as a whole.

Our findings are embodied in the attached report. For your convenience, conclusions and recommendations are summarized on pages 10 to 18. With these we are in unanimous agreement.

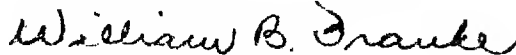
We cannot speak too highly of the assistance and cooperation that has been given to us by the Central Intelligence Agency at all levels, and by the other agencies of Government and individuals contacted.

We are particularly indebted to our Executive Director, Mr. S. Paul Johnston, and to Mr. J. Patrick Coyne of the National Security Council, both of whom have worked with us throughout and whose assistance has been invaluable.

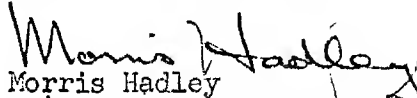
Respectfully yours,



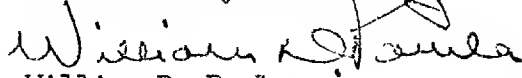
J. H. Doolittle, Chairman



William B. Franke



Morris Hadley



William D. Pawley

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REPORT  
ON THE  
COVERT ACTIVITIES  
OF THE  
CENTRAL INTELLIGENCE AGENCY

I. INTRODUCTION

The acquisition and proper evaluation of adequate and reliable intelligence on the capabilities and intentions of Soviet Russia is today's most important military and political requirement. Several agencies of Government and many thousands of capable and dedicated people are engaged in the accomplishment of this task. Because the United States is relatively new at the game, and because we are opposed by a police state enemy whose social discipline and whose security measures have been built up and maintained at a high level for many years, the usable information we are obtaining is still far short of our needs.

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As long as it remains national policy, another important requirement is an aggressive covert psychological, political and paramilitary organization more effective, more unique and, if necessary, more ruthless than that employed by the enemy. No one should be permitted to stand in the way of the prompt, efficient and secure accomplishment of this mission.

In the carrying out of this policy and in order to reach minimal standards for national safety under present world conditions, two things must be done. First, the agencies charged by law with the collection, evaluation and distribution of intelligence must be strengthened and coordinated to the greatest practicable degree. This is a primary concern of the National Security Council and must be accomplished at the national policy level. Those elements of the problem that fall within the scope of our directive are dealt with in the report which follows. The second consideration is less tangible but equally important. It is now clear that we are facing an implacable enemy whose avowed objective is world domination by whatever means and at whatever cost. There are no rules in such a game. Hitherto acceptable norms of human conduct do not apply. If the United States

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is to survive, long-standing American concepts of "fair play" must be reconsidered. We must develop effective espionage and counterespionage services and must learn to subvert, sabotage and destroy our enemies by more clever, more sophisticated and more effective methods than those used against us. It may become necessary that the American people be made acquainted with, understand and support this fundamentally repugnant philosophy.

Because of the tight security controls that have been established by the U.S.S.R. and its satellites, the problem of infiltration by human agents is extremely difficult. Most borders are made physically secure by elaborate systems of fencing, lights, mines, etc., backed up by constant surveillance. Once across borders -- by parachute, or by any other means -- escape from detection is extremely difficult because of constant checks on personnel activities and personal documentation. The information we have obtained by this method of acquisition has been negligible and the cost in effort, dollars and human lives prohibitive.

The defection of Soviet and satellite personnel offers a more profitable field for exploitation. The Agency is properly focusing a great deal of its effort

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in this direction, alone and in collaboration with the Armed Services abroad. The information obtained from this source has been of value but is sporadic and incomplete.

A still greater potential lies in communications intelligence. This leads to the conviction that much more effort should be expended in exploring every possible scientific and technical avenue of approach to the intelligence problem. The study group has been extensively briefed by C.I.A. personnel and by the Armed Services in the methods and equipment that are presently in use and under development in this area. We have also had the benefit of advice from certain civilian consultants who are working on such special projects. We are impressed by what has been done, but feel that there is an immense potential yet to be explored. We believe that every known technique should be intensively applied and new ones should be developed to increase our intelligence acquisition by communications and electronic surveillance, high altitude visual, photographic and radar reconnaissance with manned or unmanned vehicles, upper atmosphere and oceanographic studies, physical and chemical research, etc.

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Introduction

From such sources may come early warning of impending attack. No price is too high to pay for this knowledge.

In the short time that has been available to us we have been intensively briefed by the Director and staff of the Central Intelligence Agency, by the rest of the intelligence community, and by the principal users of the intelligence product. We have conferred with representatives of other interested Government agencies and with certain knowledgeable individuals whose past experience and present thinking have made their views of value. The procedures which have been followed, and the list of witnesses who have been heard are detailed in Appendix B, attached. Our findings and recommendations follow.

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## II. CONCLUSIONS AND RECOMMENDATIONS

With respect to the Central Intelligence Agency in general we conclude: (a) that its placement in the overall organization of the Government is proper; (b) that the laws under which it operates are adequate; (c) that the established provisions for its financial support are sufficiently flexible to meet its current operational needs; (d) that in spite of the limitations imposed by its relatively short life and rapid expansion it is doing a creditable job; (e) that it is gradually improving its capabilities, and (f) that it is exercising care to insure the loyalty of its personnel.

There are, however, important areas in which the C.I.A. covert organization, administration and operations can and should be improved. The Agency is aware of these deficiencies and in many cases steps are being taken toward their solution.

While we believe our study to have been as comprehensive as possible in the time available to us, we realize that it is not complete. We are well aware of the tremendous problems facing the Director and staff of an organization such as C.I.A. and appreciate the sincere efforts being made to solve them.

In an attempt to be constructive and in the hope that we may be helpful, we make the following recommendations:

A. With Respect to Personnel

That the Agency personnel competence level be raised. The Agency should continually strive to achieve this and if necessary reduce its present work load to expedite its realization. Necessary steps are:

1. Elimination of personnel who can never achieve a sufficiently high degree of competence to meet the C.I.A. standard. This will entail a substantial reduction in present personnel. There is no place in C.I.A. for mediocrity.
2. Review and improvement of recruitment plans and procedures in order to obtain higher quality applicants for Agency jobs. The time required to process them should be reduced.
3. Continual improvement of the present excellent training facilities and capabilities in all covert activities to keep step with future requirements.
4. An intensified training program to include those key personnel in the covert services who require additional training, by rotation through C.I.A. training facilities. At present at least 10 percent of total covert personnel should be in training.

5. Assignment to field stations and to country areas of only those people who are fully qualified to handle the highly specialized problems involved.

6. Maintaining the position of Director above political considerations in order to assure tenure and continuity as in the F.B.I.

B. With Respect to Security

That greater security be developed at all levels of the Agency to the end that the good name of the United States and the fulfilment of C.I.A.'s important mission may not be jeopardized. The following steps should be taken to accomplish these objectives:

1. Elimination, to the maximum extent practicable, of provisional and preliminary clearances in the security processing of prospective Agency personnel.
2. Improved and more standardized security processing of alien operational personnel prior to their use by the covert services overseas.
3. Immediate completion of full field investigations and polygraph examinations of the several hundred Agency personnel who have not yet been fully processed.

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~~Special Agents and Recommendations~~

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4. Establishing of uniform and tighter security procedures at headquarters and suitable safeguards in the field the better to insure the security of the Agency's facilities, operations, sources and methods.

5. Insurance of the closest possible coordination of the counterespionage activities of the covert services with the over-all counterintelligence activities of the Office of Security to prevent, or detect and eliminate, any penetrations of C.I.A.

6. Augmentation of the present sound policy of polygraphing all new employees and all personnel returning from overseas assignments to include periodic rechecks of all personnel, on a more comprehensive basis, whenever effective counterintelligence practices indicate.

7. Creation of greater security consciousness on the part of all personnel by improving initial indoctrination courses and by conducting regular "security awareness" programs.

8. Imposition of severe penalties upon employees at any and all levels who advertently or inadvertently violate security.

9. Establishment of a uniform system for the submission by all overseas missions of regular reports on the status of personnel, physical, documentary and

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related elements of security. Such reports should be submitted to the Office of Security with copies to the Inspector General and to the appropriate division of the Deputy Director of Plans.

10. Periodic security inspections by the Security Office of overseas missions and of DD/P's divisions, staffs and facilities in the United States.

11. Rigid adherence to the "need-to-know" requirement as the basis for dissemination of classified intelligence developed by the covert services and for intra-Agency dissemination of classified data.

12. Continuous indoctrination and guidance to correct the natural tendency to overclassify documents originating in the Agency.

13. Promulgation of definitive standards and procedures governing cover for the guidance of all personnel. There should be a continuing program of monitoring cover in foreign installations. Personnel departing for overseas assignments should be more adequately briefed concerning the importance of cover generally, and in particular their mission and personal cover.

14. Insurance that officials of proprietary organizations adhere to C.I.A.'s security regulations

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in order to avoid disclosure, breach, or compromise of the Agency's covert association with such organizations.

15. Assignment of qualified security officers to the larger proprietary organizations to aid in avoiding security compromises.

16. Formulation for immediate implementation of emergency plans and preparations, geared to the specific needs of each overseas mission and station, to insure, as far as possible, adequate safeguarding of personnel and safeguarding or destruction of material, in the event of emergency.

17. Concentration of C.I.A.'s headquarters operations in fewer buildings with increased emphasis in the interim on improvement of the physical security of C.I.A.'s many buildings and the classified data and materials contained therein.

C. With Respect to Coordination and Operations

That one agency be charged with the coordination of all covert operations in peacetime, subject to the provision that necessary flexibility be achievable in time of war. The covert operating capabilities of C.I.A. must be continually improved. Steps toward these ends are:

1. Implementation of NSC 5412 which now makes C.I.A. the coordinating agency pending a national emergency.



2. Preparation and test of a readily implementable plan for the immediate and effective availability of local covert assets to theater commanders at the outbreak of war in their areas.

3. Immediate resolution, by the National Security Council, of the misunderstandings that still exist between C.I.A. and some of the Armed Services with respect to "agreed activities."

4. Development of better understanding between other agencies and C.I.A. relative to exploitation of Soviet and satellite defectors.

5. A greater interchange of information, at all working levels, between C.I.A. and the military services regarding their intelligence programs and policies.

6. Improvement at all levels of coordination of C.I.A. covert activities with the State Department.

7. Establishment of definite world-wide objectives for the future, and formulation of a comprehensive long-range plan for their achievement.

8. Use, in all areas, of governmental cover by C.I.A. personnel only when other cover is not suitable or cannot be made available.

9. Active development of non-governmental cover.

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some foreign language training or experience, and nearly half have had some prior foreign area knowledge. Slightly over 50 percent are Armed Service veterans.

From the above we feel that the present personnel potential of the Agency is reasonably good. There is convincing evidence, however, that "dead wood" exists at virtually all levels. We have heard critics remark to the effect that there are too many ex-military people. We have been advised that some people coming back to headquarters from overseas assignments are sometimes not assigned to new jobs for long periods. Uncertainties in policy, frequent internal reorganizations, together with competition from industry frequently cause good people to seek employment outside. As in other governmental agencies, there is a tendency through inertia or because of a desire for financial security, for the mediocre to stay. As a result, despite the continual and necessary acquisition of additional good people, the competence level of the Agency is not rising as rapidly as is desirable. Prompt and drastic action to increase the rate of improvement is indicated. We are of the opinion that a planned reduction of at least 10 percent in present personnel can and should be achieved without reducing the amount and quality of Agency output.

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We have been briefed on the Career Service Plan by means of which the Agency hopes to increase personnel stability. Whether the plan will achieve this result is as yet unknown, but it will not in itself solve the Agency's personnel problems. Nevertheless we believe that a sound Career Service Plan is desirable and should be implemented as promptly as possible.

The C.I.A. has a recruitment program operating in colleges and universities throughout the United States. This program has not been entirely successful in producing either the quantity or the quality of applicants needed for Agency requirements.

In part, this is due to the general shortage of technically trained people vis-a-vis heavy current demands by industry in practically all fields. On the other hand we have heard criticism from scholastic sources that the C.I.A. approach, both to the school and to the individual, is not what it should be, and furthermore, that many potentially good people are lost because of the very great length of time that now elapses between initial contact and entry into the job.

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Discussion

Clearance of new personnel at present averages 90 days. The F.B.I. takes only 30 days maximum for clearing its own personnel. Although we appreciate fully the special problems involved in C.I.A., we believe it is both practical and essential to reduce the present 90 day period as much as possible.

Many applicants find the necessary clearance procedures unpalatable and annoying. Some are repelled by misunderstanding of the purpose of polygraphic examination and the techniques employed. Some (particularly in scientific fields where future professional reputation may depend upon publication of papers, etc.) are unwilling to accept the implications of a lifetime of anonymity, or of life under a pseudonym. We do not suggest that these requirements be abandoned or relaxed in any degree. We are certain that they are necessary for maximum security and success of covert operations. But some better means of approach should be developed to assure the prospective employee that he is necessary, and to persuade him that in this Agency he can find a desirable career and at the same time perform a vital service to his country.

We have been impressed by the excellence of the Agency's training facilities and the competence of its instructor personnel. Our comment is that insufficient use is made of

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these facilities. It is obvious that the language, communication and clandestine agent training centers which we inspected are being operated far under capacity levels. This, of course, is a reflection of the slacking off in recruiting programs, but it suggests also that adequate use of the facilities is not now being made to improve the over-all quality of Agency covert activities by new training or refresher training of personnel already in the Agency.

We are aware that the present tendency of the Agency to take on more work than it can handle satisfactorily has limited optimum use of the training facilities, but it cannot be repeated too frequently that in C.I.A. covert operations quality is more important than quantity. A small number of competent people in a sensitive agency can be more useful than a large number of incompetents. In the long run it will pay to stop some of the less essential operations now to permit 10-15 percent of Agency covert personnel to go into training. As the backlog of inadequately trained personnel is reduced and the competence level of Agency personnel increased, this percentage may be lowered.

## B. The Security Factors

Nothing is more important in the planning and execution of C.I.A.'s covert activities than continuing recognition at all levels throughout the Agency of the importance of security in all of its aspects. Although many sound and important security steps have already been put into effect by the Agency, in view of the outstanding importance of C.I.A.'s mission to the national security, constant effort must be made to improve security wherever possible.

We have been thoroughly briefed by the Security Office of the Deputy Director of Administration (DD/A), and by appropriate offices of the Deputy Director of Plans (DD/P) on personnel, physical, documentary, operational and cover security. We have examined the Agency's methods of screening out undesirable applicants or present employees by interrogation, field investigation and polygraph techniques. We have also examined DD/P's methods of processing alien operational personnel prior to their use by the covert services overseas.

We believe that C.I.A.'s security clearance criteria for prospective Agency personnel are sound. Without exception, they should be fully adhered to in practice. The granting of provisional or other interim clearances should be minimized. Full background investigations and polygraph examinations

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should continue to be prerequisite to hiring for all positions. Individuals now on the rolls who have not had the benefit of these full security clearance procedures should be so processed at the earliest possible date. (At the time of our study there were 132 headquarters and 531 field personnel who had not been polygraphed because they had entered on duty prior to the institution of the polygraph program in 1948.)

We are impressed with the competent manner in which the polygraph program is handled in the Agency and with the results obtained therefrom. Polygraph examination has proved extremely useful in identifying sexual perverts and other security risks. To September 1, 1954, [ ] poly- 25X1  
graph examinations had been conducted, resulting in the elimination of [ ] individuals as security risks. We 25X1  
endorse the Agency's continuation of the polygraph program as an aid to investigation and interrogation as long as the present high standards govern the use of this device.

There is considerable room for improvement in existing security processing procedures for alien operational personnel. Because some personnel must be used for immediate short term operations, it may sometimes be difficult to apply full security clearance procedures to them. In such rare cases

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a calculated risk may have to be taken. It is conceivable also that the application of full security clearance procedures might actually militate against the accomplishment of some particular operational objective. Nevertheless, minimum standards and procedures for security should be promulgated to control all types of operational clearances. At the present time clearances of alien operational personnel are issued by DD/P. All other clearances are issued by the Office of Security, DD/A. Closer coordination and a freer exchange of information between these respective offices is a requirement.

As the Agency is presently organized, the Office of Security has no direct authority or responsibility with respect to personnel, physical and related types of security overseas. Responsibility for the security of a mission and its personnel rests with the Chief of Mission. The Security Office, DD/A, furnishes trained and experienced security officers to the larger missions, but these officers are responsible to, and normally report only to, the Chief of Mission. Such a decentralized system can well result in insecurity unless carefully supervised, inspected and monitored. A uniform requirement should be established for the submission by all overseas missions of regular



reports on the status of personnel, physical, documentary and related elements of security. Such reports should be submitted to the Office of Security with copies to the Inspector General and the appropriate division of DD/P. We recommend that periodic security inspections should be made by the Office of Security of all overseas missions and of DD/P's headquarters and other facilities in the United States. Tighter security procedures at headquarters and particularly in the field will better insure the security of the Agency's facilities, operations, sources and methods. Implementation of these recommendations should aid in raising the level of security throughout the entire Agency, particularly throughout the covert services.

If such a system of reporting and inspecting is adopted, the Director can, for the first time, look to one office for the security of the entire Agency. He will then have a more precise and timely picture of security-related developments throughout the Agency.

We cannot emphasize too strongly the importance of the continuation and intensification of C.I.A.'s counter-intelligence efforts to prevent, or detect and eliminate penetrations of C.I.A. We endorse fully the present counter-intelligence practices of the Agency which include

polygraphing all personnel returning from overseas assignments, automatic security checks and file reviews of personnel being considered for transfer in the field or reassignment at headquarters, security checks of personnel nominated for special types of clearance, etc. We do not think that periodic re-investigation of all personnel is now necessary, but we believe that comprehensive rechecks of personnel should be made on a selective basis whenever sound counter-intelligence practices dictate. Questionable cases should be intensively investigated and expeditiously resolved.

The counterespionage activities of the clandestine services can be one of the most fertile sources of information concerning attempted penetrations of C.I.A. Appropriate steps should be taken to insure the closest possible coordination of DD/P's counterespionage activities in this field with the over-all counterintelligence activities of the Office of Security. Any penetration attempt made against C.I.A., whether it involves Agency personnel and/or clandestine intelligence operations, can never be fully controlled and exploited until all information concerning such attempts -- whether made in the United States or overseas -- is channeled through one focal point, preferably the Security Office.

"Security consciousness" is an obvious "must" for all C.I.A. personnel. Constant efforts should be made to improve the Agency's security indoctrination courses. Regular "security awareness" programs should be inaugurated in order that all personnel may be reminded of the continuing need for "security consciousness" in the conduct of their day-to-day affairs.

Most breaches of security committed by C.I.A. personnel appear to be inadvertent rather than intentional. The net effect of such breaches on the national security is the same regardless of intent. Without exception, an inflexible attitude must be adopted with respect to security breaches and severe penalties meted out to employees at all levels who advertently or inadvertently violate security.

Too easy access to much of C.I.A.'s classified data is a potential source of trouble. Except for the tight restrictions drawn around super-sensitive material, large segments of C.I.A.'s files are open to inspection and use by Agency personnel without qualification as to "need-to-know." Improvement is needed in carrying out the "need-to-know" rule as a basis for intra-Agency, as well as interdepartmental, distribution of C.I.A.'s classified data. This situation

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is aggravated considerably by the fact that there are too many duplicate records. The security of C.I.A.'s data is further jeopardized by a tendency to over-classify documentary data originating in the Agency, a condition which operates in derogation of the security classification system as a whole.

Considering C.I.A.'s unduly dispersed headquarters (43 buildings in the Washington area), its physical security program is reasonably good. The potential security risks inherent in such wide-spread dispersal make it essential that the Agency continue its efforts to consolidate the headquarters facilities into fewer, more adequate buildings.

The physical security measures in effect at C.I.A. installations which were visited in the general vicinity of Washington are excellent. The physical security of overseas installations visited by representatives of our study group appeared to vary with local circumstances and conditions. The limited number of inspections made was not sufficient to allow of definitive conclusions as to the general security of all overseas missions. There appear to be, however, no basic, minimum physical security requirements governing these missions or stations, except for the safeguarding of classified documents. We believe that acceptable minimum standards should be promulgated

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11. More effective use of "proprietary project" cover through better planning and by using personnel having adequate business and area experience.

That an intensive organizational study be made to the end of streamlining functions, clarifying lines of responsibility and authority, reducing overhead and increasing efficiency and effectiveness. From our relatively brief examination of organization it is obvious that:

2. The covert organization should be so located, organized and administered as to maintain maximum security with reference to personnel and activities.

4. The activities of the Operations Coordination Board under the N.S.C. should be broadened to provide the D.C.I. with adequate support on the more important covert projects.

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Conclusions and Recommendations

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5. Despite the recommended reduction in present personnel and budgetary economies that the C.I.A. must continue to grow in capacity until it is able to meet, entirely, its national commitments.

6. Centralized accommodations, hand-tailored to its needs, should be provided to house the Agency.

E. With Respect to Cost Factors

That although the activities of C.I.A. should be expanded, costs of present operations should be reduced. This can be in part, accomplished through:

1. The exercise of better control over expenditures for all covert projects, and specifically that (except for those of an extremely sensitive nature) they be made subject to review and approval by the Agency's Project Review Committee.

2. Furnishing the Comptroller (under proper security provisions) with sufficient information on all covert projects to enable him to exercise proper accounting control on a fiscal year basis.

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III. DISCUSSION

Introduction - History and Growth of C.I.A.

The Central Intelligence Agency is an organization of mixed origins and recent growth.

The overt side of C.I.A., well described by the Agency's title, took over in 1947 from the former Central Intelligence Group. It receives the intelligence collected by all government agencies, processes it, disseminates and files it. This phase of the work is well administered under the Deputy Director of Intelligence and serves the whole intelligence community. Since 1947 it has grown to its present size of

25X1

[REDACTED]

The covert side of C.I.A. started with O.S.O. (Office of Special Operations) which was a remnant of the former O.S.S. Next came O.P.C. (Office of Policy Coordination) which was the "Cold War Shop," an offshoot of the State Department. The two operated under C.I.A. in virtual independence of each other until they underwent a shot-gun marriage in 1952, and were put under a Deputy Director for Plans. This covert side now numbers [REDACTED] on the regular table of organization, and approximately as many more engaged in special projects, or about [REDACTED]

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**TOP SECRET**Discussion

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Supporting and serving Intelligence and Plans are about [ ] more persons, of whom about two-thirds are grouped under a Deputy Director for Administration, and about one-third are under Directors or Assistant Directors reporting directly to the Director of Central Intelligence himself, as in the case of Personnel, Training, and Communications. The work [ ] is largely in support of covert operations, as the requirements of the overt intelligence side are relatively simpler, whether for training or for support.

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Additional personnel on special projects bring the current total [ ] In 1947 the total was less [ ] This represents a seven-fold increase in seven years.

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25X1

(Note: Throughout this report we have considered as "covert" all activities that are not "overt." Specifically, we have included under "covert" the operations assigned to the Agency by NSC 5412 as well as its clandestine espionage and counterespionage operations.)

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A. The Personnel Factors

The most important elements in the successful conduct of covert intelligence operations are the people who run them, -- from top management down to the agent under deepest cover. First consideration, therefore, must be given to the recruitment, selection, training and evaluation of the most highly competent people available. They must then be assigned to jobs where they can be used most effectively and be given whatever support they require to enable them to carry out their missions.

In the past this Agency has not been entirely successful in achieving this result. In its short history it has suffered from lack of continuity in policy direction and management. At its inception it suffered from an inheritance of mixed and sometimes mutually antagonistic elements from O.S.S. and other predecessor agencies. Then, at a stage when still groping toward a stabilized peacetime program, it was suddenly called upon to meet the requirements of the Korean War.

Under this pressure it "ballooned" out into a vast and sprawling organization manned by a large number of people some of whom were of doubtful competence. Of necessity, sensitive positions were sometimes filled with people having

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having little or no training for their jobs.

Fortunately, the Agency did possess an invaluable asset in the form of a hard core of capable and devoted men as a part of its World War II inheritance, and did succeed in attracting to this cadre an appreciable number of capable people. In some areas they have done, and are doing, an excellent job, but it appears from a personnel standpoint, that C.I.A. tends to accept more commitments than are warranted by its human assets. This leads us to the belief that an immediate re-evaluation of all programs should be undertaken by the Project Review Committee to eliminate those of lesser importance and to cut back the activity rates of all but the most essential to bring the over-all program into a more realistic coincidence with current Agency capabilities. When improved recruitment, adequate training and over-all experience level justify, Agency activity may again be accelerated.

We have made a study of the educational and experience background of the 34 key people in the Agency's chain of command. From this the following composite figures emerge: all are natural born U.S. citizens; they range in age from 38 to 66 yrs., averaging 47.9 yrs; 32 are married; 17 have 1 or more dependent children; 21 are wholly dependent on

government salary; all but 2 are college graduates; 13 have advanced degrees. Twelve have had 1 or more years business experience; all but 6 have served in the U.S. Armed Forces; 15 have had intelligence experience (O.S.S., Armed Forces, etc.) prior to 1947; and 10 have had specialized C.I.A. training. Of this group 32 have had 3 years or more service with C.I.A., 20 have had 5 years or more, and 15 have been with the Agency for the full 7 years since it was established in its present form in 1947.

The Office of Personnel supplied an excellent statistical study covering  staff employees and agents on the roster as of 30 June 1954 from which the following data were taken: males make up 58 percent of total, females, 42 percent; average age is 34.2 years and two-thirds are in the 25-39 year age bracket. As for education, approximately 68 percent of the total are high school graduates, some 47 percent have B.A. (or equivalent) degrees, and about 24 percent have done post-graduate work or possess advanced degrees. Forty-five percent have served 3 years or more with the C.I.A. Looking at prior intelligence experience, which includes service with the Armed Forces or with the Agency's predecessor organizations, and realizing that all Agency personnel do not require such training, 71 percent had none, but 29 percent have had 1 year or more and 11 percent 2 or more years. Of the Agency total, 73 percent have had

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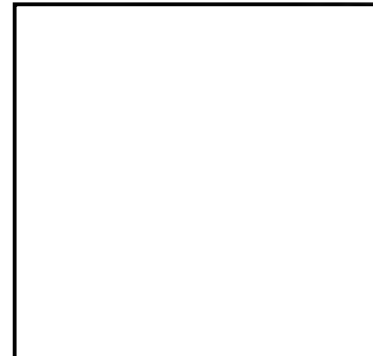
year ending June 30, 1955 will be allocated as follows:

Covert operations:

Foreign Intelligence  
Political & Psychological  
Paramilitary

Overt operations

Indirect or support elements



25X1

This total does not include individuals under contract, who are not regular employees of the Agency, individuals under deep cover and those engaged in proprietary enterprises, and indigenous personnel. The aggregate of persons in these categories is estimated  most of whom are engaged in covert operations.

25X1

The actual number of individuals to be engaged on Agency activities for the fiscal year 1955 will, therefore, be approximately

25X1

The covert operations of the Agency are budgeted and accounted for on a project basis except for headquarters and overseas support costs. Political and psychological and paramilitary projects exceeding a specified minimum dollar total are in general reviewed and approved by a Project Review Committee. Foreign Intelligence projects are not subject to review by this committee but are authorized by

the Director of the Agency, the Deputy Director of the Agency, the Deputy Director of Plans, or certain other individuals depending upon the estimated dollar costs of individual projects. We believe that for purposes of control and as an aid in auditing, Foreign Intelligence projects (except those of an extremely sensitive nature) should be made subject to review and approval by the Project Review Committee.

Due to DD/P's present secrecy policies with respect to Foreign Intelligence projects, the Comptroller of the Agency is unable to maintain meaningful records showing the expenditures made for individual projects in this category. The Foreign Intelligence Staff keeps certain records of such expenditures but on the basis of a calendar rather than a fiscal year. We believe that the Comptroller should be furnished with information which will enable him to record, control and account for the costs of the individual projects of this element of the Agency. Adequate protection for security purposes can and should be provided within the Office of the Comptroller.

Certain other projects in the political and psychological and paramilitary areas, of a sensitive nature are occasionally developed and processed without full information with respect thereto being given to the Deputy Director for

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Administration and the Comptroller. Since, of necessity, the funds must be made available by the Comptroller, it is inevitable that he will have knowledge that operations of this nature are being conducted and it is unlikely that more specific information relating to the projects can long be kept secret from him. In one particular instance where substantial sums were expended, the Comptroller was called upon to make the expenditures with no supporting data being furnished to him at the time or at any future date. When we requested breakdowns of costs of the operation we found that they were available only in the area division involved and that they were incomplete and unsatisfactory. We are of the opinion that this deviation from the normal procedure of placing upon the Comptroller the responsibility of accounting for expenditures is unsound, and is not justified by the claim that the security of the operation is improved by this deviation.

We are of the opinion that the administrative plans for individual covert projects are not in all instances as complete in detail as is desirable and that if they were amplified the Comptroller and the Auditor-in-Chief would be in a much better position to carry out their respective duties and responsibilities.

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IV. APPENDICES



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APPENDIX A

C O P Y

THE WHITE HOUSE  
Washington

26 July 1954

Lt. Gen. James H. Doolittle, USAFR  
Washington, D. C.

Re: Panel of Consultants on Covert Activities  
of the Central Intelligence Agency

Dear General Doolittle:

I have requested you, and you have agreed, to act as Chairman of a panel of consultants to conduct a study of the covert activities of the Central Intelligence Agency. With your concurrence I have invited Messrs. William B. Franke, Morris Hadley, and William Pawley to act with you as members of the panel. Mr. S. Paul Johnston has kindly agreed to serve as Executive Director of the panel.

It is my desire that the Panel of Consultants should undertake a comprehensive study of the covert activities of the Central Intelligence Agency, in particular those carried out under the terms of NSCID #5 of August 28, 1951, and NSC 5412 of March 15, 1954. You will consider the personnel factors, the security, the adequacy, the efficacy and the relative costs of these operations and, as far as possible, equate the cost of the over-all efforts to the results achieved. You will make any recommendations calculated to improve the conduct of these operations. To the extent that agencies of the Government, other than the Central Intelligence Agency, are engaged in covert operations which may parallel, duplicate, or supplement the operations of CIA, you may investigate such other operations conducted by any other department or agency of the Government in order to insure, insofar as practicable, that the field of foreign clandestine operations is adequately covered and that there is no unnecessary duplication of effort or expense.

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In view of the particularly sensitive nature of these covert operations, their relation to the conduct of our foreign policy, and the fact that these sensitive operations are carried on pursuant to National Security Council action approved by me, I desire that your report be made to me personally and classified TOP SECRET. I will determine whether or not the report or any part thereof should have further dissemination. I should appreciate it if your report could be available to me prior to October 1, 1954.

As you know, the Commission on Organization of the Executive Branch of the Government, generally known as the Hoover Commission, is constituting a Task Force to study and make recommendations with respect to the organization and methods of operations of the CIA. General Mark W. Clark has been designated by Mr. Hoover to head this Task Force which, I understand, will probably be organized and start its work sometime in September next. Under the law constituting the Hoover Commission, the Task Force shall study and investigate the present organization and methods of operation of the Agency to determine what changes therein are necessary to accomplish the policy of Congress to promote economy, efficiency, and improved service by:

- a. recommending methods and procedures for reducing expenditures to the lowest amount consistent with the efficient performance of essential services, activities and functions;
- b. eliminating duplication and overlapping of services, activities, and functions;
- c. consolidating services, activities, and functions of a similar nature;
- d. abolishing services, activities, and functions not necessary to the efficient conduct of Government;
- e. eliminating nonessential services, functions, and activities which are competitive with private enterprise;
- f. defining responsibilities of officials; and
- g. relocating agencies now responsible directly to the President in departments or other agencies.

As the work of the Hoover Task Force will get under way shortly, I suggest that you and General Clark confer in order to avoid any unnecessary duplication of work as between you. The distinction between the work of your Study Group and of the Hoover Task Force is this:

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~~Appendix A~~

You will deal with the covert activities of the CIA as indicated in paragraph (2) above, and your report will be submitted to me. General Clark's Task Force will deal largely with the organization and methods of operation of the CIA and other related agencies within the limits prescribed in the law as outlined in paragraph (4) above. Reports of the Hoover Commission are made to the Congress.

The purpose of these studies, both that of the Hoover Task Force and that of your Group, is to insure that the United States Government develops an appropriate mechanism for carrying out its over-all intelligence responsibilities and the related covert operations. I consider these operations are essential to our national security in these days when international Communism is aggressively pressing its world-wide subversive program.

Sincerely,

/S/ Dwight D. Eisenhower

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APPENDIX B

PROGRAMS AND PROCEDURES

In early July, 1954, President Eisenhower verbally directed James H. Doolittle to form a Special Study Group to conduct an investigation and to report to him on the covert activities of the Central Intelligence Agency. The other members of the Group included William B. Franke, William D. Pawley, and Morris Hadley. Mr. J. Patrick Coyne, of the National Security Council Staff, was designated as consultant to the Group. Mr. S. Paul Johnston, Director of the Institute of the Aeronautical Sciences, was appointed Executive Director. The terms of reference for the project were spelled out in the Presidential directive of 26 July 1954 (Appendix A).

The first meeting of the Study Group (excepting Mr. Hadley and the Executive Director, neither of whom had been appointed by that date) took place in C.I.A. headquarters on 14 July. On that occasion the Director of Central Intelligence and key members of his staff

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presented the over-all problem from the viewpoint of the Agency.

The Group as a whole met for the first time in its assigned space in C.I.A. headquarters on 29 July. The Chairman outlined his views as to the job to be done and the procedures to be followed. A program of briefings which had been prepared by Agency personnel in the interim was discussed and accepted. The non-C.I.A. agencies to be heard were agreed upon and the program outlined below was initiated. The schedule of the hearings and a list of all witnesses heard by the Group is attached.

At the request of the Group extensive briefings were arranged by the Office of the Secretary of Defense, the three Armed Services, the Department of State, the Federal Bureau of Investigation and the Bureau of the Budget. In most cases the documentation from which briefings were conducted was made available for Group study.

A number of individuals whose knowledge and background seemed pertinent to the study were invited to present their views. Others were consulted informally by various members of the Group. The Chairman discussed intelligence matters of interest to the Atomic Energy Commission with its Chairman, Mr. Lewis L. Strauss. He also discussed matters of

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cooperation between the two committees with Ex-President Herbert C. Hoover and General Mark W. Clark, U.S.A. (Ret.)

Several field trips were taken during the course of the study. The entire Group visited [ ] and later the Office of Communications Staff Training installation. During the week of 13 September the Chairman, accompanied by Mr. Coyne, made an inspection of representative C.I.A. stations in Western Europe, including [ ]

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[ ] . [ ] they were also briefed by senior representatives of the [ ]

Because of the extremely sensitive nature of most of the paper work made available to the Group, special precautions were taken with respect to its handling and security. No such papers were taken out of the immediate office area except under suitable precautionary measures, and all working papers, files, or other records have either been destroyed or returned to their source. This Group has developed no archives.

The fact that the Group was able to cover so much ground in such a limited time stems from the assistance and cooperation that was received from the Agency at all levels. The Director took personal and continuing interest in seeing that the Group had all needed facilities and

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information. Particular credit must be given to Brig. Gen. J. D. Balmer, U.S.A. (Ret.), who was assigned as Liaison Officer for the Group, and his two aids, Lt. Cmdr. E. I. Carson, (USNR), and Mr. John Leader. They laid on briefing schedules, set up conferences, came up with needed information promptly and arranged for local transportation. Without their help the job accomplished would have been vastly more difficult. Mention must be made also of the assistance rendered in connection with the "general housekeeping" needs of the Group. Everything needed, including numerous requirements for complicated air and rail travel arrangements, was promptly and efficiently handled by the Agency administration people.

Particular thanks are due to Miss Virginia Thomas, the sole secretarial assistant of the Group, for her efficient and effective handling of all paper work and other day-to-day office requirements.

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SPECIAL STUDY GROUP - DAILY LOG

<u>Date</u>	<u>Subject</u>	<u>Presented by</u>	
14 July	C.I.A. Covert Activities	25x1	
29 July	Planning "Cold" War Planning "Hot" War		
30 July	Foreign Intelligence Communications Intelligence Psychological & Paramilitary		
3 August	Collection & Dissemination		
4 August	Technical Services Functions, Dep. Dir./Intelligence State Department		
5 August	Security Services Southeast Europe Division		
6 August	Training Near East & Africa Division		
7 August	Field Trip - <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span>		25x1
10 August	Coordination OCB and Defense  Clandestine Records Western Hemisphere Division State Department		
11 August	Soviet Russia Division Technical Services Eastern Europe Division		

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Appendix B -- 6

Daily Log -- 2

<u>Date</u>	<u>Subject</u>	<u>Presented by</u>
12 August	<span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span> For.Intel.Services Western Europe Division	<div style="border: 1px solid black; width: 100%; height: 100%; position: relative;"> <span style="position: absolute; top: 0; right: 0; font-size: 0.8em;">2541</span> </div>
13 August	Director's Staff Meeting Admin. - Proprietary Projects	
17 August	Operation Guatemala Inspection & Review Inspector General	
18 August	Special Operations Clandestine Planning Committee Research & Development	
19 August	Field Trip - COMMO	
24 August	U.S. Air Force Intelligence	
25 August	Federal Bureau of Investigation  Czechoslovakia Egypt Germany	
26 August	Intelligence Acquisition	
27 August	Office of Naval Intelligence	
31 August	Operations of Soviet Russia Division PP Activities of SR Division Defections  Coordination of GW Activities with Defense Department  Operation Iran	
1 September	U. S. Army, G-2 National Security Agency	
2 September	State Department	

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Daily Log -- 3

<u>Date</u>	<u>Subject</u>	25X1	<u>Presented by</u>
3 September	Special Operations General Comments		
4 September	Personnel Management Operational Security Special Briefings		
13-18 Sept.			
14 September	Bureau of the Budget Functions, Inspector General		
15 September	Operation Iran Administration		
16 September	Defense Dept., Intel. Operations Security		
17 September	National Security Council		
22 September	Agreed Activities		
28 September	Special Briefing -		

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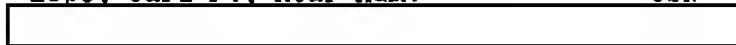
2. Other Than CIA

Abbott, W. B.	USN
Acker, F. C., Capt.	USN
Armstrong, W. Park, Jr.	State
Ayer, Frederick	USAF
Baker, James	Harvard
Belmont, A. H.	FBI



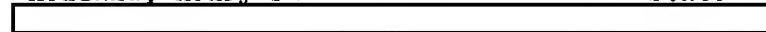
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Cutler, Robert	NSC
Drain, D. T., Cdr.	USN
Drake, Thomas R., LCdr.	USN
Espe, Carl F., Rear Adm.	USN



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Gibbs, Jack A., Col.	USAF
Godel, William H.	OSD
Gregg, G. W., Col.	USAF
Hamilton, Lyman C.	Budget
Harrold, F. J., Jr., Lt. Col.	USAF
Harvey, Mose	State
Hedden, Stuart	Consultant
Holland, Henry F.	State



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Howe, Fisher	State
Hulick, Charles	State
Jernegan, John D.	State
Jones, S. E., Capt.	USN
Jones, J. Wesley	State
Junghans, Earl A., Capt.	USN
Koons, Tilghnan B.	NSC
Lay, James S., Jr.	NSC
Lerette, Earl L., Col.	USA
Lindbeck, J. A., Cdr.	USN
Lydman, Jack	State

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McClure, Robert A., Brig. Gen., USA	MAAG
McConaughy, Walter	State
McFarlane, R. N., Capt.	USN
Macy, Robert M.	Budget
Matlack, Mrs. Dorothy	USA
Montgomery, J. H., Jr., Col.	USN
Mooney, J. T., Cdr.	USN
Moore, H. G., Capt.	State
Murphy, Robert	USN
Nash, D., Capt.	FBI
Papich, Sam	USN
Perez, Ramon N., Cdr.	USAF
Reeder, H. G., Col.	USAF
Samford, John A., Maj. Gen.	State
Scammon, Richard	USAF
Setchell, J. F., Col.	USN
Siegmund, T. C., Cdr.	USN
Spore, B. W., Cdr.	Consultant
Stevens, Leslie C., Vice Adm., USN (Ret)	USN
Stuart, C. J., Capt.	USN
Sullivan, J. B., LCdr.	State
Thurston, Raymond	USA
Trudeau, Arthur G., Maj. Gen.	USAF
Weinbrenner, G. R., Col.	USN
Welden, Frank, Cdr.	USN
Wiggin, Bruce E., Capt.	State
Young, Kenneth T.	

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**APPENDICES**

**C and D**

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immediately and that regular inspections by qualified Security Office personnel should be made to enforce them.

Detailed plans and preparations should be made for immediate implementation of war-emergency measures by all overseas missions and stations, tailored to the local conditions. They should provide for maximum safeguarding of Agency personnel and operations, and for adequate safeguarding or destruction of classified data and material in the custody of the installations in question.

Secure cover is an inherent part of all clandestine operations. The security of some of the Agency's cover devices is excellent, security of others is inadequate. Cover security is a problem that requires continuous and exhaustive study. Detailed standards and procedures, policies and regulations, should be issued for the guidance of the personnel concerned. There is need for more adequate briefing of personnel departing for overseas assignments concerning the cover of their missions and their personal cover problems. The Office of Security should continually monitor the cover devices used in all foreign stations.

Maintaining proper cover in proprietary organizations requires that all personnel concerned actually live within the cover framework at all times. Vulnerable points are

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the channels of communications between C.I.A. and the proprietary organizations as well as contacts between personnel of such organizations and other personnel of the Agency. Another vulnerable feature is in the assignment of personnel from the Agency to the proprietary organizations and the hiring of outside personnel. Any person who has previously served in a known capacity with the Agency is a potential security hazard if associated with any proprietary organization. A like hazard exists if a person is hired on the outside by the organization without first obtaining a complete clearance from the Agency.

Professionally qualified security officers should be placed on the staff of the larger proprietary organizations. Experience shows that organizations so staffed usually have fewer security compromises. Close coordination should be maintained with the Agency on the matter of requesting surveys of proposed "business" sites before they are acquired, so that any potential security hazard on or near the premises may be disclosed. All officials of proprietary organizations must be indoctrinated in the necessity of conforming with the security requirements of the Agency. Neglect of certain basic security requirements by such officials

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can lead to disclosure, breach, or compromise of the covert  
association.

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C. Coordination and Operations

The success of the covert operations of C.I.A. depends upon how efficiently they are conducted and how well they are coordinated with other agencies of the Government. These criteria prevail both in peace and in war, but both coordination and operations are necessarily somewhat different during each of these periods. Peace in any ordinarily accepted sense of the word, appears to be impossible of achievement in the foreseeable future. The covert operations of the Agency must therefore be planned and coordinated in order to meet the requirements of a continuing cold war situation as well as the requirements of possible hot war. C.I.A. has this obligation under NSCD 5412 (March 15, 1954).

Looking toward the possible outbreak of actual hostilities in any theater of operations, a detailed plan should be developed now delineating the wartime headquarters responsibilities of C.I.A. to insure that appropriate policy guidance, integrated with N.S.C. and J.C.S. plans, be furnished to C.I.A. representatives in the field. In an emergency situation time obviously will not permit referral of all critical covert operational questions to Washington. Furthermore, the needs of commanders in the field may require the immediate transfer of many local C.I.A. covert operational assets to their

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commands. It is absolutely essential, therefore, that well-considered, well-implemented and pre-tested plans be prepared in advance to insure smooth transfer of such assets and to deal with any other local covert operational problems.

In the case of espionage and counterespionage operations there is disagreement between C.I.A. and some of the military services which has yet to be resolved. This relates to the area of "agreed activities" (NSCID 5, August 28, 1951) as to which a dispute has dragged on for years. Some of the services feel that certain foreign espionage and counter-espionage operations must be run directly by them. The Director of Central Intelligence has been desirous of securing the voluntary agreement of the Armed Services, and has submitted various proposals to them as to the delimitation of these areas of "agreed activities." To date the attempts to resolve the differences have been unavailing. We believe that the prime responsibility for the failure does not lie with C.I.A., but with these services. In fact, we believe that the Director of Central Intelligence, in his desire to reach an amicable solution, has gone further than was intended by the N.S.C. directives. Since agreement has not been reached on a voluntary basis, the dispute should be resolved

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by the N.S.C. In the settlement of this dispute, in addition to recognizing the right of the Armed Services to perform counterintelligence activities for the security of their own installations and personnel, the Armed Services should be allowed to engage in espionage and counterespionage operations (provided they are coordinated by the Director of Central Intelligence) until such time as C.I.A. has the capability to perform all espionage and counterespionage operations outside the United States.

In order to avoid undue delay in the resolution of such problems in the future, the Director of Central Intelligence (as coordinator of all foreign intelligence) should report regularly to the N.S.C. on the status of efforts to implement N.S.C. directives, with particular emphasis on major unresolved questions.

Inasmuch as the exploitation of Soviet and satellite defectors outside the United States has been a source of annoyance (and even hostility) on the part of some of the military services and other agencies toward C.I.A. and vice versa, we believe that steps should be taken immediately to insure full implementation of the defector program in accordance with the spirit and letter of NSCID 13 (Jan. 19, 1950).

The misunderstandings which exist between C.I.A. and the Armed Services stem largely from insufficient exchange

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of information and coordination with respect to espionage, counterespionage, and covert operations. We have been advised, for example, that in certain instances C.I.A. operators appear to have been too secretive with respect to information which is of direct interest to the military services and vice versa. We have been told of incidents where important covert operations have been "blown" because C.I.A. and military intelligence units were operating against each other, without knowledge of each other's interest or activity. The relationship that exists in various countries between covert C.I.A. personnel and the military attaches is not always satisfactory. Attaches and MAAG's are playing important roles in the collection of foreign intelligence and in the defector program, and it is, therefore, essential that closer coordination and greater exchange of information be established between C.I.A.'s representatives and the military at every foreign station.

Misunderstandings between some of the services and the Agency are not confined to overseas operations. A lack of knowledge of plans, facilities, and operations seems to exist in some areas between the Pentagon and C.I.A. Compartmentation can be carried too far. Improvement in collaboration at the working levels is particularly essential.

Relations with C.I.A.'s other principal customer, the Department of State, also are not entirely satisfactory. In Washington, coordination seems to be reasonably good with well-established liaison channels, but misunderstandings seem to exist at many overseas stations. There is a feeling that C.I.A. is making too much [redacted] in many places. [redacted] is thin, at best, and any compromise creates embarrassing situations. In some areas C.I.A. personnel have not coordinated their activities sufficiently with those who should know of them [redacted]. [redacted] As a result, people have worked at cross purposes, with unfortunate results. It is realized that there are situations in which disclosure of plan and purpose should be held to a minimum number of people, but in all cases the Senior U. S. Representative should be sufficiently advised to insure proper coordination in accordance with approved N.S.C. intelligence directives.

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D. Organization and Administration

In the course of investigating the covert operations of the Agency, we were briefed on the organization of the individual components of the DD/P complex. We also had the benefit of the thinking of a number of key Agency people with respect to the DD/P organization as a whole. As a result certain general observations with respect to DD/P organization have emerged which are germane to the problem of the efficiency and economy of its operations.

From the remarks that have been made on the subject of Agency history and personnel problems, it is clear that the organization is still in an evolutionary stage. It has suffered from a mixed inheritance, a lack of policy continuity, tremendous pressures to accept commitments beyond its capacity to perform, and a mushroom expansion. As a result there has been an absence of long-range planning with consequent organizational difficulties. We are strongly of the opinion that further streamlining of organization, clarification of functions, and straightening of lines of authority will result in more and better work with fewer people at lower costs.

The covert activities of C.I.A. fall under the direction of the Deputy Director for Plans (DD/P). They are presently conducted by a complicated organization of a mixed straight-line



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and functional type in which staff has been superimposed on staff to such an extent that duplication of effort, conflicting command authority, and division of responsibility have inevitably resulted in dilution of the total effort.

There are six principal staffs in the DD/P complex ranging in size [REDACTED]

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These are superimposed over seven area divisions ranging in size [REDACTED] Five of the staffs have subordinate divisions, and two of the staffs have subordinate staffs. In addition, each of the divisions has its own set of staffs. Altogether, the DD/P complex totals over 40 major units.

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We are strongly of the opinion, based upon our limited review of the DD/P element, that consideration of a complete reorganization of the element is needed. As an indication of the type organization that might be more effective and less costly, we have included in this report for consideration purposes only, a revised organization chart as Appendix D. A chart of the present DD/P organization is also included, for purposes of comparison, as Appendix C. The personnel contemplated under the revised DD/P organization would number

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approximately  less than are presently employed by this element.

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In considering any reorganization, we cannot emphasize too strongly our feelings with respect to the need for greater security in all DD/P operations. As the covert side of C.I.A., it should operate with a maximum of anonymity. Knowledge of its physical location, operation and the identity of its personnel should be kept on an absolutely need-to-know basis.

We feel that continuous inspection and closer control (both fiscal and operational) over covert activities are necessary. We realize that certain security risks are involved but we believe they can be handled properly.

The subject of fiscal control, and the relationship of the Comptroller to the organization are discussed under Section E following.

The concept of an Inspector General for the Agency is sound. He should report only to the Director. He should be given the greatest possible latitude and authority to inspect all aspects of the Agency at any time, including the Director's own office and the DD/P complex. We believe that any limitations that have been placed on this function in the past should be completely removed.

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Because of the rapid expansion of the Agency, its operations are conducted in some 43 buildings in the Washington area. Some of these buildings are of temporary wartime construction and constitute a fire hazard. This forced decentralization of operations results in great loss of time of personnel whose duties require them frequently to visit various buildings of the Agency; it increases security problems; and it results in a great reduction in over-all efficiency. We recommend that sympathetic consideration be given to the Agency's effort to obtain funds with which to provide centralized accommodations for its activities, and we suggest that these accommodations would best serve the peculiar requirements of the Agency if they were hand-tailored to its needs. We are of the opinion that in a relatively short time the expenditure required would be self-liquidating.

Although in the present organizational plan of the Government C.I.A. seems to be well integrated into the Intelligence Community at the National Security Council level, events have occurred recently (for example -- Guatemala) which indicate that gaps exist in high level planning and coordination of important covert operations which may expose the U. S. Government to unnecessary risks of compromise. Over-all policy guidance comes from N.S.C., and is satisfactory,

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but better coordination is needed for the more important covert activities of C.I.A. at the national level. This is the function of the Operations Coordination Board, but at the present time it does not appear to be giving the Agency adequate guidance and advice on the more important covert projects. The activities of the Board should be broadened in order to provide the D.C.I. with the support he needs on such projects.

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E. The Cost Factors

The budgetary procedures of the Agency were reviewed with the Agency Comptroller and representatives of the Bureau of the Budget and appear to be satisfactory. Between the fiscal years ended June 30, 1947 and 1955 the total budget has increased from approximately [REDACTED] the latter figure including a reserve fund [REDACTED]. The 1955 fiscal year budget exclusive of the reserve fund is divided approximately as follows:

Direct costs:

Covert operations

Overt operations

Indirect or support costs:



Since indirect or support costs are relatively proportionate to direct costs, the total budget may be considered to be approximately [REDACTED] operations.

The number of civilian employees of the Agency under personnel ceilings has increased from [REDACTED] at June 30, 1947, to an estimated [REDACTED] for the fiscal year ending June 30, 1955, and military personnel has increased during the same period from [REDACTED]. The aggregate [REDACTED] for the fiscal

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